



Twenty-fourth session

Nairobi, 15-19 April 2013

Item 6 of the provisional agenda*

**Dialogue on the special theme for the twenty-fourth
session of the Governing Council**

**Dialogue on the special theme for the twenty-fourth session of
the Governing Council: sustainable urban development: the
role of cities in creating improved economic opportunities for
all, with special reference to youth and gender**

Theme paper by the Executive Director

Summary

The objective of the present paper is to facilitate discussion at the high-level session of the twenty-fourth session of the Governing Council. Representatives of Governments, local authorities and other Habitat Agenda partners are expected to discuss the role of cities in creating improved economic opportunities for all, with special reference to youth and gender. Apart from providing additional guidance on a key priority of the UN-Habitat work programme, the dialogue will serve as a forum for sharing experiences between member States and Habitat Agenda partners on reinvigorating the role of cities in fostering sustainable economic development. The paper will also contribute to the preparatory process for the planned Habitat III conference in 2016 and the United Nations development agenda beyond 2015.

The dialogue theme as elaborated in the present paper reflects recognition by UN-Habitat of the importance of promoting cities as engines of economic development. This recognition is further evident from the inclusion of the urban economy as one of the new thematic areas in the UN-Habitat strategic plan 2014–2019.

The paper includes the following sub-themes:

- (a) Urbanization as a positive force for national economic and social development;
- (b) The role of cities in creating improved economic opportunities for all;
- (c) The economics of urban form;
- (d) Land-based financing for urban development.

* HSP/GC/24/1.

I. Introduction

1. It is now widely recognized that sustainable development must be pursued in order to address current global challenges such as increasing poverty, social inequity, environmental degradation and climate change. In our rapidly urbanizing world, now with more than half the population living in cities, the question of sustainable urban development comes to the fore. We must ask how we can improve the quality of life of urban citizens while ensuring that urban areas are economically productive, socially inclusive and environmentally sound for both present and future generations.

2. The UN-Habitat report *State of the World Cities 2012/2013* emphasizes that cities are not merely places where people reside and processes for the production of goods and services occur. In their own internal dynamics, cities are key drivers for growth and development. They generate wealth and prosperity, serve as hubs of innovation and transformation, create multipliers, facilitate redistribution of assets and opportunities, increase productivity and contribute to balanced territorial development.

3. However, these regenerative attributes of cities are not spontaneously derived. They need to be harnessed and steered or else they are likely to produce severe dysfunctions and negative externalities. The history of urban development is replete with experiences of inappropriate policies that have resulted in the predominance of slum and squatter settlements, deficiency in infrastructure, inadequate services and poor means of earning livelihoods.

4. While it is the physical and systemic attributes of cities that tend to be more pronounced, in essence cities are social constructs that represent a human endeavour to enhance capacities and optimize well-being. People congregate in cities to harness the power of density and collectivity and realize aspirations and dreams, as well as fulfil needs and turn ideas into realities. The degree to which cities are able to foster inclusiveness in access to benefits and opportunities for all social groups constitutes a major determinant of sustainable urban development.

5. Conventional models of urban development have largely failed to provide economic opportunities for all. Among social groups that have not fared well in many cities are youth, women and people with disabilities. Invariably, there have been systemic barriers and impediments that have denied these social groups the opportunity to utilize their full potential and in many instances even made them vulnerable within the wider society.

6. At this juncture, when urban centres are becoming the dominant habitat of humankind, the urgency of the need to expand opportunities for youth and address the gender implications of development cannot be overemphasized. This is further reinforced, as described above, by the fact that cities are assuming a strategic role in driving global development and in fostering overall well-being. In this context, the role of youth and the status of women within prevailing gender relations act as important levers for sustainable development. By their sheer numbers, youth and women have the potential to provide the necessary impetus for development and can accelerate the momentum for change and transformation if and when appropriately deployed. Thus, in urban settings all efforts need to be made to improve economic opportunities for all but particularly for youth and women. Indeed, it is an indication of severe structural distortion when such a powerful force is not fully harnessed.

7. This paper explores the role of cities in creating improved economic opportunities for all, particularly for youth and women within a gender framework. It derives its basis from the Habitat Agenda and subsequent resolutions and initiatives. The main premise of the paper is that effective policies form the basis for creating equitable economic opportunities for all urban residents. The key to achieving this is through appropriate policies governing urban planning, investments in housing, infrastructure and services, local economic development and financing for urban development. This informs the topics for the four dialogue sessions to be held during the Governing Council meeting.

II. Mandate

8. In the Habitat Agenda, Governments recognize that urban economies are integral to the process of economic transformation and development and that eradication of poverty requires, among other things, sound macroeconomic policies aimed at creating employment opportunities and equal and universal access to economic opportunities. In paragraphs 158–161 of the Agenda, Governments are urged, among other things, to formulate and implement financial policies that stimulate a broad range of urban employment opportunities; to assist informal sector enterprises to become more productive; and to encourage fair treatment of the informal sector. In paragraph 119, Governments are encouraged to stimulate productive employment opportunities and all actors are encouraged to foster economic policies that have a positive impact on the employment and incomes of women workers in both the formal and informal sectors and to adopt specific measures to address women's

unemployment, particularly their long-term unemployment. Millennium Development Goal 1 (target 1B) encourages Governments to promote access to decent employment for women, men and young people.

9. In paragraphs 13, 33, 45 and 120 of the Habitat Agenda UN-Habitat, among others, is specifically encouraged to work in partnership with young people in human settlements development and to empower them to participate in decision-making in order to improve urban livelihoods and contribute to sustainable human settlements. In the outcome document of the United Nations Conference on Sustainable Development, entitled “The future we want”, Governments also committed themselves to promoting an integrated approach to planning and building sustainable cities and urban settlements and the generation of decent jobs (paragraph 135).

10. In paragraph 76 of the Habitat Agenda Governments are encouraged to apply transparent, comprehensive and equitable fiscal incentive mechanisms, as appropriate, to stimulate the efficient, accessible and environmentally sound use of land and to utilize land-based and other forms of taxation in mobilizing financial resources for service provision by local authorities. It also requests Governments to consider the adoption of innovative instruments that capture gains in land value and recover public investments.

11. The Governing Council of UN-Habitat, in its resolution 20/7 of 2005, requested Governments and local authorities to involve women in decision-making at all levels of Government and to strengthen gender mainstreaming in local governance, including in resource allocation and the delivery of basic services, particularly water and sanitation. By its resolution 22/7 of 2009, the Governing Council requested the Executive Director to report on progress in the implementation of the gender equality action plan in which UN-Habitat and its partners committed themselves to fostering gender equality and the empowerment of women within the context of sustainable urban development.

12. To further strengthen the work of UN-Habitat on urban youth, the Governing Council, by its resolution 21/6 of 2007, requested UN-Habitat to establish an opportunities fund for urban youth-led development. The purpose of the fund is to support youth-led initiatives in pursuance of the Habitat Agenda, including the facilitation of vocational training and the provision of grant mechanisms to promote entrepreneurship and employment, in collaboration with the private sector and other United Nations bodies and stakeholders.

13. More recently, the UN-Habitat draft strategic plan for 2014–2019, which was endorsed by the Committee of Permanent Representatives in August 2012 pending approval by Governing Council at its twenty-fourth session, has urban economy as one of its focus areas and places emphasis on assisting in the creation of decent urban jobs and livelihoods, especially for youth and women.

14. Discussion of the proposed theme at the twenty-fourth session of the Governing Council will not only provide an opportunity to reflect on the work so far carried out under the mandate mentioned above but also provide further guidance on the future work of UN-Habitat in this area.

III. Urbanization as a positive force for national economic and social development

15. The world has been rapidly urbanizing. Today, more than half of the world’s population is urban. The next few decades will witness an even greater scale of urban growth. This rapid urban expansion will be particularly notable in Asia and Africa. By 2050, over 70 per cent of the global population is expected to be living and working in urban areas. Youth comprises a growing share of the urban population, especially in the developing world. It is estimated that by 2030 as much as 60 per cent of all urban dwellers will be under the age of 25. Moreover, in many cities, particularly in developed countries, the proportion of the elderly population is rapidly increasing. This, together with the fact that women generally tend to live longer than men, poses some serious challenges. According to the UN-Habitat report *State of Women in Cities 2012/2013*, –cities of the future will have more female-headed households.

16. Urbanization brings about economic, social and political benefits for urban as well as rural residents. Urban areas create environments that stimulate interaction, innovation, investment and economic activity. They attract investment and create wealth. They enhance social development and harness human and technical resources, resulting in unprecedented gains in productivity and competitiveness.

17. Cities significantly contribute to the gross domestic product (GDP) of countries. Today, over 70 per cent of global GDP is generated in cities.¹ Cities in high-income and middle-income countries account for 85 per cent and 73 per cent of GDP, respectively. In developing countries cities have increased their economic importance. Many cities in developing countries generate a disproportionately large share of national income. For example, the urban share of GDP in India has grown from 37 per cent in 1960 to 63 per cent in 2009. Mexico City with 24 per cent of the total population of Mexico generates 27 per cent of its GDP. Shanghai, with just 1.9 per cent of the population of China, generates over 13 per cent of GDP and Johannesburg, with 6 per cent of the population of South Africa, accounts for 15 per cent of GDP. The larger contribution of cities to the GDP of their countries is a clear indication of the economic importance of urban areas.²

18. As cities prosper so do the rural hinterlands. Cities can enhance the access of rural people to markets, education, health care, information and technology and other services. Cities also act as centres of trading for rural products and are the gateways to the global markets. With improved rural-urban linkages, workers who are employed in urban areas but maintain rural homesteads can also make significant contributions to building prosperous cities.

19. Urban economies develop by capitalizing on agglomeration benefits. Proximity allows more efficient use of resources and services and exchange of knowledge and ideas. It also increases productivity, encourages innovation and spurs development. Cities, however, do not spontaneously produce positive economic and social outcomes through urbanization. Proper planning and governance are needed to help cities harness their potential and avoid negative externalities of growth such as congestion, pollution, violence and crime.

20. Cities are also places where youth, women and the poor demonstrate their ability to lead their own development. Regenerating cities is largely about looking at what is working on the ground and facilitating the exchange and scaling up of those practices. To that end, it is important for stakeholders to partner with organized networks of grass-roots women and youth.

IV. The role of cities in creating improved economic opportunities for all

21. The dynamism associated with the modern city is invariably manifested by an increasing stock of assets and facilities, as well as by the functional processes that take place within the sphere of production and consumption. The challenge in many urban settings is how such stocks and flows of physical and intangible assets translate into increased income and improved well-being for the people who live there. Cities may be rich, but many of their residents can be deprived of the benefits of that affluence.

22. It is reckoned that jobs, livelihoods and opportunities constitute a critical set of elements that translate urban economic growth into increased income and improved well-being. This entails increasing the absorption capacity of the labour market, as well as enhancing capabilities, assets (including both material and social resources) and activities that provide opportunities to earn a living.

23. A rigorous gender perspective is critical in addressing the issue of improving women's access to economic opportunities. Yet more effective than striving for quantitative improvements in urban goods and services are the removal of structural and systemic impediments and the enhancement of measures that empower women. This entails overcoming prevailing challenges with respect to access to decent jobs, education and skills and the challenge of unpaid labour; impediments to acquiring land and building decent shelter; shortfalls in access to essential services and infrastructure; acquisition of physical and financial assets; assurance of social protection, safety and security; and effective participation in urban governance. The gender dimension of urban economic opportunities is not only about access and empowerment for overcoming vulnerabilities and enhancing dynamism, but also about ensuring social protection for all.

A. The urban unemployment challenge, with special reference to youth and women

24. As urban populations grow, urban economies are expected to keep up with the increasing demand for jobs and livelihoods. However, an increasing proportion of youth and women who are unable to find decent work are compelled to engage in low-paid, vulnerable and/or informal work. The

¹ Sixth World Urban Forum, concept note on the urban future (2012) available at http://www.unhabitat.org/downloads/docs/11037_1_594393.pdf.

² UN-Habitat, *State of the World's Cities 2010/2011 – Cities for All: Bridging the Urban Divide* (London, 2010).

creation of jobs and livelihood opportunities for all, including for the homeless, those who live in slums and squatter settlements, ethnic minorities, migrants and travelling communities, women and youth with disabilities, the elderly and female-headed households, is central to poverty reduction and increased standards of living. Unemployment and underemployment remain serious challenges and disproportionately affect youth and women, yet these groups have great potential to drive innovation and development if and when they are well supported.

25. Young men and women of today are the best educated in history. If they move into adulthood in an environment that guarantees secure and equal employment and economic opportunities, especially through entrepreneurship development, they can become a key force for promoting development.

26. The demographic youth bulge can be a dividend for the countries that are experiencing it. It was such a dividend that fuelled the economic success of the Asian tigers in the 1980s. Africa, the youngest continent, with 70 per cent of its population under the age of 30, is rich in the human capital of youth. According to the International Labour Organization (ILO), even halving the world's youth unemployment rate could add an estimated \$2.2 to 3.5 trillion, or between 4.4 and 7 per cent, to global GDP.

27. Youth are in the most productive phase of their lives and can leverage the "urban advantage", a concept meant to invoke the abundance of goods and services such as health, recreation, education, amenities and the opportunities found in cities. Most cities, however, face the daunting challenge of not being able to capitalize on the knowledge and expertise of youth and women or to generate adequate jobs and livelihoods opportunities for them. Many cities that have experienced economic growth in the past have not been able to generate adequate jobs and livelihood opportunities to keep up with their population growth. During the next 15 years 600 million more people will join the global labour market, and most of them will be the youth in the cities of developing countries.³ These new entrants to the labour market will be competing with the existing 184 million unemployed and the 550 million working poor.

28. According to the report of the Secretary-General on promoting an agreed action agenda to achieve the Millennium Development Goals by 2015 (A/64/665), about 633 million workers in 2008 were making less than \$1.25 a day (the working poor). The financial crisis of 2008 pushed 215 million more workers into poverty and pushed the global unemployment rate to 6.6 per cent.⁴ Growing unemployment among youth is the main cause of the recent social and political unrest around the world. Globally, young people are three times more likely to be unemployed than adults. Today, over 75 million youth are looking for work, and the current global youth unemployment rate is 12.7 per cent.

29. The current global economic crisis has also aggravated the incidence of vulnerable employment and working poverty. Disaggregated data shows that over 50 per cent of working women in the world are engaged in vulnerable employment. According to an analysis conducted by ILO in 27 countries, female working poor rates exceed that of male rates in 22 countries. Also, there is a clear concentration of women in sectors that are generally characterized by low pay, long working hours and informal working arrangements.⁵ It is also important to note that youth unemployment among women is higher than unemployment among men. In South Africa, for example, 54.6 per cent of young women are unemployed, compared to 47.2 per cent of young men. In Greece, 40.6 per cent of young women are unemployed compared to 26.7 per cent of young men.

30. As a result of high unemployment, urban young men and women are forced to eke out a living in the low-productivity informal sector. Even in Europe, 17 per cent of young workers depend on the informal economy.⁶ The informal economy is a source of employment for the vast majority of the urban poor in developing countries, particularly women, and it accounts for a large share of the national economies of such countries. Although the informal sector is widely recognized as a permanent and significant part of national economies, only a few countries such as Colombia, Mexico, South Africa and Thailand have succeeded in formulating appropriate regulations to enhance the productivity of the sector. It is also important to note that in many cities in developing countries, the informal economy is growing much faster than the formal economy, resulting in gender divisions of labour and poor working conditions for women. In the wake of a rapidly changing global economic

³ World Development Report (2013). Jobs, World Bank, Washington D. C.

⁴ International Labour Office, Global Employment Trends, (Geneva, International Labour Organization (ILO), 2010).

⁵ International Labour Office, "Making the crisis recovery work for women" (Geneva, 2011).

⁶ ILO, "Global employment outlook" (Geneva, 2012).

environment, the significant contribution women make through unpaid work in cities and communities needs to be recognized. Often these women and their contributions go unnoticed. Zoning for urban growth and land use, lack of proper definitions and measurements for appreciating and valorizing women's work and violence against women all adversely affect their well-being in cities.⁷

B. How cities can create jobs and economic opportunities for all

31. It must be stated at the outset that sustained economic growth is a necessary but not sufficient condition for creating jobs and livelihood opportunities. As the private sector accounts for over 90 per cent of all jobs in developing countries, Governments should put in place policies to support strong private-sector-led growth. These efforts should be complemented by policies and programmes targeted at the poor, youth and women. Cities also need to implement policies and programmes to support the development of their workforces and provide incentives for the private sector to start and expand businesses and train and hire workers. There is also a need to strengthen economic empowerment strategies for women through improved urban planning, governance and basic services, which are key prerequisites for achieving equitable urban prosperity.

32. Persistent inequality of opportunity denies youth, women and vulnerable groups their right to the city. Unequal access begins in childhood and continues into youth and adulthood. It is important to recognize that the pre-employment condition of an individual, that is, access or lack of access to primary, secondary and tertiary education, largely determines his or her chances of finding jobs and other income-generating opportunities. Education is the greatest leveller of the playing field.

33. Macroeconomic stability and investments in human capital are crucial. Cities must be concerned with the education and skills of their workforce, a crucial factor for creating decent jobs. Experience in both industrialized and developing countries during the current global economic crisis demonstrates that those cities that have adequately invested in primary and secondary education, despite fiscal constraints, have had faster recoveries. Improving skills means connecting education to technical and vocational training, including information and communications technology (ICT). Individuals with better skills will have improved productivity, with the potential to earn higher wages and improve their standard of living. Firms that employ more productive workers enjoy increased returns on investment, and part of those returns can be used to pay higher wages to their workers and/or be reinvested, thereby creating more job opportunities.

34. A significant percentage of the urban poor in developing countries is engaged in the informal economy. For example, in Hanoi over 50 per cent of the urban labour force is informal. In West African cities, the share is even higher – 76 per cent in Niamey and 83 per cent in Lomé. In all cities, there are more women in the urban informal sector than men. For example, in Abidjan 9 out of every 10 women in the labour force have informal jobs, compared to 7 out of 10 for men.⁸ Urban economic development policies, strategies and programmes should take into account the important contribution of the informal sector to national income and job creation. The informal sector is not a backward, marginal sector. Rather its productivity is central to overall urban productivity. Urban authorities should therefore support the informal sector instead of trying to suppress it.

35. One of the most important economic and social contributions of women to the overall functioning of cities is made through unpaid, care-focused domestic activities that are largely overlooked by policymakers. In Mexico, for example, women in paid employment devote an additional 33 hours per week to domestic chores and child-raising, compared to only six hours for men.⁹ These domestic activities put an additional burden on women and lower their ability to focus on their own empowerment and economic well-being. It also inhibits the development of capabilities among younger generations of women who are engaged in these activities. This work needs to be recognized and given economic value by urban policy makers through mechanisms such as time-use surveys and gender audits, pension schemes and social cash transfers. Direct attention to the burdens of child care and other types of unpaid care work typically performed by women can include

⁷ Jacqueline Leavitt and Regina K. Pritchett, "Women, cities and economic empowerment", proceedings of the experts group meeting on women's economic empowerment in cities, Harvard University, Cambridge, Massachusetts, June 2012.

⁸ J. Herrera and others, *Informal Sector and Informal Employment: Overview of Data for 11 Cities in 10 Developing Countries*, working paper No. 9 (Cambridge, Massachusetts, Women in Informal Employment: Globalizing and Organizing (WIEGO), 2012).

⁹ Joke Swiebel, "Unpaid work and policy-making: towards a broader perspective of work and employment", Department of Economic and Social Affairs, discussion paper No 4, 1999 available at <http://www.un.org/esa/desa/papers/1999/esa99dp4.pdf>.

community-based care options, work-based nurseries and care homes and dedicated private and/or public facilities.

36. Mechanisms for supporting small businesses and the self-employed are necessary. These include better provision for training, with a view to enhancing the diversification of competitive informal activities, easier access to credit on favourable terms, assistance in promoting greater health and safety at work and the reduction and/or phasing out of the costs of business formalization.

37. Through collaborative efforts involving local governments and private and non-State actors, cities need to identify and capitalize on their distinctive features to generate productive employment opportunities and growing incomes for their residents. This requires that they understand their local economies, including their strengths and weaknesses, the opportunities they offer and the threats that they face. Besides their locations or natural advantages, cities also need to harness agglomeration economies, using mixed land-use policies, incentives and strategic public investments that promote density, connectivity and spatial balance in economic opportunities and urban services.

38. Local economic development is now widely regarded as an effective strategy for achieving inclusive economic growth and territorial development. It is a locally-driven, participatory development process intended to encourage the public sector, civil society actors, women, youth organizations and private stakeholders to work in partnership in the design and implementation of local development strategies by taking into account the strengths and weaknesses of regions or localities. Local economic development strategies that enhance links between economic growth and job creation are now widely recognized as potent tools. Local economic development initiatives contribute to improving local governance through enhanced stakeholder participation, partnership among different actors and fostering relationships between different levels of government.

39. All of the above emphasize that promoting endogenous economic growth (i.e., economic growth generated within a locality, region or country as a direct result of internal processes) is key to expanding the production of goods and services, deepening markets and broadening income and employment multipliers while creating sustainability. Local economic development strategies and incentives that are centred on non-tradeable sectors, local assets, local multipliers and spending capacities are important. Such a strong local focus, in tandem with the ability to exploit global markets, is also an important factor in creating a resilient economy.

40. Excessive and inappropriate regulations increase the costs of entry and operation and exacerbate the division of the economy into formal and informal sectors. A conducive regulatory environment, with an adequate incentive system, can effectively lower the cost of establishing and doing businesses and increase the benefits of formalization. To that end, Governments should simplify registration and licensing procedures and implement fair taxation and trade policies.

41. Access to information and communications technology is another important area that needs to be promoted, as it will expand economic opportunities by offering job opportunities. Growth in mobile-phone-based applications and their impact demonstrate a huge untapped potential. Youth, who are the largest demographic group utilizing ICT, and women, who have to trade off between home-care activities and remunerative work or are constrained by local market opportunities, have a lot to gain from improved access to ICT, provided they are supported by appropriate policies and institutions.

42. The housing sector is an engine of national and local economic development. The construction of new houses and the improvement of existing houses and investment in green buildings create a large number of employment opportunities, particularly for youth. The housing sector also generates a huge demand for inputs and materials and thereby contributes greatly to both national and local economies.

43. Direct residential housing construction makes up between 7 and 10 per cent of the labour force in developing economies.¹⁰ However, the total labour force participation in the housing sector, including in housing-related industries, is much greater. Low-cost housing construction employs a large number of unskilled youth and offers opportunities for women to set up small-scale enterprises. Local production of building materials and the maintenance and repair of housing offer large numbers of people employment and other income-generating opportunities in urban areas.

44. A larger housing stock in cities will directly increase the property tax base and, if effectively collected, can increase the revenue of urban local authorities. Improved municipal revenue can be used

¹⁰ Anna Kajumulo Tibaijuka, *Building Prosperity: Housing and Economic Development* (London and Sterling, Virginia, Earthscan, 2009).

to provide better infrastructure and services in cities and towns. In addition, economic activities resulting from backward and forward linkages of housing construction and housing improvement also contribute to the revenue of local authorities through various forms of taxes and fees.

45. Better located, serviced and quality housing yields positive impacts, particularly for women. The time and energy required for daily household activities may be reduced and women may be liberated to participate in productive income-earning activities. This, together with the provision of better access to water and sanitary facilities, will improve health and reduce women's reproductive, labour and time burdens.

46. Home-based enterprises, such as small-scale retailing, food production and services such as tailoring and repairs are another significant component of local economic development. Through mixed land-use planning and appropriate urban design and local regulations, local government can provide favourable policy environments for home-based productive activities. For example, 77 per cent of all enterprises in Botswana and Zimbabwe are home-based; in Venezuela, 45 per cent of garment industry workers are home-based and in Dar es Salaam, Tanzania, 64 per cent of woman-headed households use their homes for economic activities.

47. Given the fact that public resources are limited in many cities, it is important to promote the integration and operationalization of the roles of grass-roots women and youth in planning their own development by promoting community-driven development work and related organizations, alliances and networks.

48. Infrastructure is another important factor that contributes to long-term economic and social development and job creation, particularly in times of economic crisis. Investments in infrastructure and renewable energy greatly contribute to the creation of jobs and economic opportunities. According to ILO, \$1 billion spent on large infrastructure projects in advanced economies creates about 28,000 jobs, both directly and indirectly in roughly equal proportions. On the other hand, infrastructure spending in developing countries has a much greater impact on job creation. For example, \$1 billion spent on infrastructure in Latin America can create about 200,000 direct jobs.¹¹ Improved infrastructure also means saving valuable time for all. It enhances social inclusion by facilitating the movement of child-care givers, the elderly and persons with disabilities. It also improves urban safety, recreation and leisure facilities for all.

49. Improved access to drinking water means saving valuable time that can be utilized for productive activities, reducing the burden on women and girls and improving the health of the entire population. Water is an economically productive asset and therefore adequate investments in drinking water infrastructure are important. The total global time savings that can be achieved from meeting Millennium Development Goal target No. 7 C, relating to water and sanitation, is estimated to be 4 billion working days a year.¹² Improved access to water will therefore reduce the time poverty that women in many developing countries face and enhance their participation in the labour market.

50. Although the private sector creates most of the jobs in market economies, in times of economic crises Governments should play a more active role in creating jobs, since the capacity of the private sector to create jobs greatly diminishes during such crises.¹³ Creation of direct job opportunities through emergency public works programmes and employment guarantee programmes are two ways the State can create jobs in crisis situations. Governments should also lay the foundation for social protection to support the vulnerable and the poor, especially in times of economic hardships. Without such safety nets and targeted support, hard won gains in poverty reduction can easily be lost. Well-designed social policies and innovations that facilitate access for the poor to social services, such as education and health, have direct positive impacts on the productive and reproductive capacity of society.

51. It must be emphasized here that good urban governance is key to achieving sustainable, equitable, efficient, transparent, accountable and secure cities. Well-governed cities create equitable economic opportunities for all, particularly for youth, women, the disabled, minorities and marginalized groups. The involvement of youth and particularly women in the decision-making process at all levels needs to be promoted, recognizing that women are crucial for achieving positive

¹¹ ILO, "Investments in infrastructure: an effective tool to create decent jobs", Global jobs pact policy brief No. 1 (Geneva, 2010).

¹² Andrew Scott and Prachi Seth, "Infrastructure services post-2015" (London, Overseas Development Institute, 2012).

¹³ Maikel Lieuw-Kie-Song and Kate Philip, *Mitigating a Job Crisis: Innovations in Public Employment Programmes*, Employment report No. 6 (Geneva, ILO, 2010).

changes in society. Cities also should take into account the specific needs of women, the elderly, the disabled and disadvantaged groups in the design and implementation of planning, legislation and budgetary allocations.

V. The economics of urban form

52. Good urban planning is a key element of efficient, functional, equitable and sustainable cities and city regions. Urban form refers to the spatial configuration of a city or city region, i.e., the patterns, spatial attributes and qualities of urban structure. Urban form is closely linked with the dynamics of economic activity in a city. Certain types of urban form, including high density, good connectivity and mixed land uses, can improve the efficiency of economic activities.¹⁴

53. Central components of good urban form include density, mixed land use, transport connectivity, planned infill development and public space, which are defined below. It is important to note that they are interrelated. For example, density is only beneficial if it is supplemented by transport connectivity and public space.

54. *Increase population density to sustainable levels.* More intense land occupation and activities result in sustainable population densities that contain or reduce urban sprawl and the depletion of limited resources. Greater proximity will, in turn, facilitate the supply and distribution of goods and services. An efficient layout, together with adequate land legislation and policies, can reduce the cost of infrastructure. On top of suburban densification and sprawl remediation, land use can be intensified through area redevelopment, planning for new areas with higher densities, brownfield development (i.e., decontaminating and developing land previously used for industrial or certain commercial purposes), building conversions and transit-oriented developments.

55. *Encourage social diversity and mixed land-use.* Land planning can bring about clusters of land uses in appropriate locations, with the flexibility needed to adapt to the changing requirements of the population. Urban planning must facilitate the deployment of common spaces that allow encounters, interaction and dialogue between different social and ethnic groups. Moreover, physical urban structures facilitate communication between economic activities and residential areas, providing employment and services on a neighbourhood scale, with positive effects on productivity, infrastructure, equity, quality of life and the environment. Urban design strengthens and empowers structures through infrastructure and facilities (education, health care, commerce, manufacturing and culture/entertainment). In the case of resettlement, special attention should be paid to the link between housing for the resettled and jobs and livelihoods opportunities.

56. *Devise multimodal mobility strategies.* Urban planning can provide alternatives to the current widespread dependency on private motorized vehicles and reinforce use of public transport in combination with non-motorized modes of transport and proper sidewalks. An integrated urban transport strategy enhances productivity and reduces travel times. Improved transport systems come with environmental benefits such as better air quality due to reduced exhaust fumes. Accessibility for all potential users, including those with disabilities and the elderly, is essential to ensure equal mobility opportunities.

57. *Plan infill development and guided expansion.* Urban planning must combine infill development and guided expansion for the sake of proper density and affordable urban land. Infill development can revitalize dilapidated areas in a city. In those developing countries where there is rapid urbanization, new areas must be developed for the benefit of newcomers if further slum expansion is to be avoided. Properly planned spatial patterns can reduce pressure on land, provide for urban services and alleviate the burden on existing infrastructure. In addition, forward-looking planning can discourage land speculation while facilitating access to affordable housing and urban services.

58. *Promote livable public spaces and vibrant streets.* Public spaces and streets must be seen as multifunctional areas for social interaction, economic exchange, urban livelihoods and cultural expression among a wide diversity of urban citizens – including both men and women. It is for planning to organize for those public spaces and for design to encourage their use, in the process enhancing a sense of identity and belonging. Safety and security are important dimensions to be considered in any such design, together with vital infrastructure. There is a need for urban planning to ensure, through consultation, that the interests and issues of the informal economy are considered in

¹⁴ KyeongAe Choe and Brian Roberts, *Competitive Cities in the 21st Century: Cluster-based Local Economic Development* (Philippines, Asian Development Bank, 2011).

the planning and design of public space. Planning cities without accounting for the activities and contributions of the informal economy can no longer be sustained or justified.

59. The absence of these elements, particularly high density, is associated with poor urban form and has negative impacts on the functioning of the city. Low urban density has many disadvantages in terms of costs to the city, firms and residents. The construction and maintenance of urban infrastructure and the provision of services such as policing, postal delivery and home care become more expensive in a sprawling city. This places an extra budgetary strain on Governments and a tax burden on citizens in meeting new infrastructure demands. Distance across low-density urban areas increases the time and energy required to move people and goods, thereby increasing the costs of production of goods and services. This, in turn, affects the profits of firms and their propensity to reinvest and increase employment. Unless countered by stronger natural advantages, low-density cities tend to be less attractive to firms and workers who seek better markets and opportunities.

60. Poor urban form also has negative social consequences. For individual residents, low urban density means increased travel time and costs that often disproportionately affect already disadvantaged groups. In cities such as Ciudad Juarez in Mexico and Johannesburg in South Africa, some urban households spend up to 30 per cent of their monthly household income on transport.

61. High urban density, on the other hand, can help absorb population growth, promote agglomeration economies, improve urban productivity and preserve regional environmental quality. Mixed-use high-density urban development can increase economic and social interaction among people of different income levels. Shorter distances brought about by high density with mixed uses also allow the adoption of transportation alternatives, such as the use of bicycles, and help to foster productivity growth and equity. The city of Freiburg in Germany converted and developed abandoned military land into an eco-village that accommodates a relatively high density of inhabitants per hectare within a mixed-use neighbourhood, offering on-site jobs accessible via predominantly non-motorized transport infrastructure.¹⁵ Moreover, women-only public transport provides much needed safety for women, young girls and school children in many cases.

62. Urban densification can be achieved through appropriate public expenditures, regulatory mechanisms and incentives. Such measures include more efficient use of urban land, reduction of plot size, encouragement of multi-floor construction, increase of floor area ratio and implementation of urban regulations that allow the location of businesses within residential areas. For example, Cape Town's densification strategy of 2009 showed how the city could both subdivide land into smaller plots and consolidate blocks with the aim of increasing the density of existing neighbourhoods.¹⁷

63. These approaches differ from many neighbourhood-focused projects and initiatives that have tended to ignore the form of the city as a whole, as in the cases of Buenos Aires¹⁶ or Dakar.¹⁷ While there are few studies of intra-urban differences in public expenditures, a study of Buenos Aires showed that 11 per cent of the population received 68 per cent of the benefits of local public expenditure during the 1990s.¹⁸ This implies that spatial inequality is, to a degree, a local product.

64. Higher density development, however, presents multiple challenges and risks that must be addressed. Local government must have sufficient regulatory capacity and authority to control urban form and building quality. New levels of urban density may also necessitate the creation and enforcement of more complex property and tenancy laws governing ownership of land and building space. Cities should carefully assess their capacity for fair regulation and enforcement when attempting to influence urban density. For example, a radical settlement restructuring programme in Ouagadougou attempted to condense informal settlements occupying 71 per cent of the city's land area into an area of only 7 per cent. Not extending adequate infrastructure to serve these newly dense areas led to unintended land speculation and the reappearance of sprawl.¹⁷

65. The above discussion suggests that unguided trends towards the low-density spatial expansion of cities, including trends towards polycentricity in large urban areas and decentralization of economic activity within cities, could make cities less efficient from an economic as well as a social equity point of view.

¹⁵ UN-Habitat, *Urban Patterns for a Green Economy: Leveraging Density* (Nairobi, UN-Habitat, 2012).

¹⁶ Adriana Clemente and others, "Arguments regarding inclusion in the city: continuities and ruptures in the production and appropriation of habitat in Latin America: the case of the metropolitan area of Buenos Aires (AMBA) 2002-2012", paper presented at the World Urban Forum, Naples, 2012.

¹⁷ Michael Cohen, "Aid, density, and urban form: anticipating Dakar", *Built Environment*, vol. 33, No. 2 (31 May 2007).

¹⁸ Michael Cohen and Dario Debowicz, "Las cinco ciudades de Buenos Aires : pobreza y desigualdad urbana", *Medio Ambiente y Urbanización*, vol.56, pp.3-20 (2001).

VI. Land-based financing for urban development

66. The inadequacy of the financial resources available for supporting and sustaining rapid urban development constitutes one of the fundamental challenges facing urban authorities in developing countries. Many urban authorities are very under-resourced and hence unable to meet the ever-growing demand for basic services, new infrastructure and the maintenance of existing infrastructure and services. In order to effectively address this challenge, urban authorities need to explore innovative mechanisms for generating additional resources, such as borrowing from the capital markets, identifying bankable projects that are attractive to the private sector, privatizing municipal revenue collection and provision of municipal services and forming public-private partnerships.

67. Urban land is a key factor of production and source of financing for economic opportunities. Innovative land-based financing methods such as value capture are effective ways to raise revenue for local authorities when traditional sources of revenue are inadequate. The use of participatory and inclusive land readjustment can be an effective tool for raising revenue and distributing the burdens and benefits of urban expansion or renewal. Moreover, promoting higher densities and mixed land uses increases the land value of each property and enhances the tax base of a city.

68. Land value capture, if properly designed alongside other instruments, can be a powerful method of public financing, whereby increases in private land values generated by public investments are captured all or in part by the public sector for public purposes. The increases in private land value (capital gains) due to public investments are unearned profits to the private land owners who do not have to bear any costs. These unearned profits can be captured indirectly by means of real estate taxes, impact fees or other forms of taxes, or directly by converting them to land-related benefits such as on-site improvements and trading of urban development rights. Land value capture is a way of internalizing the positive externalities of public investments and redirecting this capital towards public services and amenities.

69. Value capture funding is commonly associated with expensive transport infrastructure improvements. Since such improvements increase private land values, capturing even a small share of the rise in value can help finance transport infrastructure projects. While undertaking any form of land and property taxation, including value capture, it is important not to penalize and discourage private investments in land and undermine tenure rights for all, particularly for the urban poor, youth and women. Transport infrastructure drives development and therefore development should subsidize transportation.

70. When local authorities use urban land for raising revenue, they need to consider citizens' rights and responsibilities. Securing land and property rights for all, including vulnerable groups such as the urban poor and women, and making the land and property markets more efficient and transparent will contribute to expanding opportunities for the creation of wealth and jobs in cities.

71. Apart from looking for new revenue sources, urban authorities should also institute more efficient and effective mechanisms for collecting revenue from existing sources. Appropriate and low-cost land registration and recording systems can provide vital information for the implementation of efficient land-based financing systems. Although land-related taxes are the most common source of municipal revenues, they are seldom taken advantage of. In many cases, urban authorities ignore various charges and fees such as business licence fees that are a good source of revenue. Municipalities also need to introduce charges and fees that reflect market prices and are affordable to the majority. Considering the gradual increase in the role of the local authorities and the private sector in the provision of services, municipal authorities should improve their management, organization and capacity to become financially sustainable. One of the key ingredients here is to ensure the existence of the necessary capacity and political will to develop and enforce regulations. The central Government should give more financial autonomy to municipal authorities for restructuring their tax bases and jurisdiction over revenue collection. Also, if and when borrowing is considered necessary as a source of revenue, specific provisions should be tailor-made for individual cities based on their local creditworthiness. Urban authorities should also explore public-private partnerships in order to identify and implement ways of providing better infrastructure and services.

VII. Conclusion

72. The present paper draws attention to the urgent need to address the productive potential of cities, particularly in generating economic opportunities for all. It reiterates that the robustness of economic development in cities provides a strong foundation for sustainable urban development, especially when prosperity is balanced and equitable. Although the dynamic potential of cities depends on many factors, its occurrence is not spontaneous. It needs to be planned, steered and harnessed.

73. The paper argues that effective urban policies must begin with jobs and incomes. Without these essential components, urban life is not viable. The challenge is how to translate this into policies governing urban planning, the allocation of investment and credit, the functioning of local economies, both formal and informal, land-based financing for urban development and the functional spatial form of cities. The paper has highlighted issues and themes for consideration and has identified many instruments that can be applied to this challenge, from infrastructure to policies, to taxation, to regulations to specific planning tools, all within an economic framework.

74. The paper emphasizes that granting particular attention to youth and gender when addressing economic opportunities calls for serious consideration of the systemic aspects of urban development. Beyond demographics and sex ratios, it requires that attention be paid to a range of factors that impinge on the capacity of these social groups to realize and benefit from their full potential. It also stresses the need to recognize the contributions of women and youth and build on their practices and strategies through partnerships and facilitating their scaling up.

75. The paper anticipates that the exchange of experiences that is expected to take place during the dialogue will provide concrete and evidence-based insights into key strategic interventions that can improve economic opportunities for all in urban settings. By reflecting on living experiences, member States and partners are expected to highlight some of the challenges and setbacks encountered and leverages that can be harnessed. The dialogue may assist in further defining the role that UN-Habitat can play at the local, regional, national and global levels in backstopping interventions aimed at improving economic opportunities for all. It is also anticipated that engagement with development partners in the course of the dialogue may reveal potential areas in which support can be provided in the short-, medium- and long-term.

76. The paper recognizes that both productivity and equity are important. Indeed it is impossible to sustain one without the other, and both objectives must be urgently focused on the needs of the poorest and most vulnerable segments of the urban population and those of youth and women. Emphasizing domestic or endogenous growth also means recognizing that, while getting the policies right at home is critical, city governments also need to be aware of global and national economic conditions and threats, including climate change and financial volatility.

77. In operational terms, this approach suggests that four areas need more focused attention from UN-Habitat: endogenous local economic development to create local jobs and economic opportunities; economic empowerment of youth and women; urban form and its impact on economic efficiency and sustainability; and innovative land-based financing to fund urban infrastructure and services and thereby support economic development. Making progress on these issues individually can also have positive impacts on all of them and in the process help orient the work of UN-Habitat towards priority areas for developing countries.

VIII. Questions for discussion

78. Participants may wish to consider the following questions for discussion:

- (a) What are the major barriers to creating employment and livelihood opportunities for youth and women in cities? What successful experiences can be shared? [PARA LEVEL 2]
- (b) What can countries that do not have a strong manufacturing base do to create adequate job opportunities in other sectors? What can cities and Governments do to harness technology to expand economic opportunities?
- (c) How can cities assess the employment impact of economic policies and ensure that productivity gains are translated into job creation, especially for youth and women?
- (d) How can cities harness and enhance access to tangible economic assets such as land, housing and public infrastructure, especially for youth and women?
- (e) What can cities do to increase the effective participation of women and youth in decision-making and governance processes for budgets and resource mobilization, job creation, urban planning and safety audits in relation to the demographic importance of these groups?
- (f) How should urban basic service providers create more jobs while responding to the growing need for urban services, infrastructure and green growth?
- (g) How can cities use climate change adaptation and mitigation to create green jobs for youth and women?

- (h) How do urban land-use policies and decisions on density affect urban economies and the creation of economic opportunities in cities? What have we learned?
 - (i) What can urban authorities do to ensure that policies on urban planning and investment decisions on infrastructure will contribute to the creation of jobs and livelihood opportunities in cities?
 - (j) What can cities do to improve urban mobility and thereby enhance economic productivity and opportunities for all?
 - (k) What are the innovative land-based financing and fiscal tools that urban authorities in developing countries can use to improve their revenue base?
 - (l) What innovative experiences with value capture as a financial tool for urban development can you share?
 - (m) Land value capture as a tool for raising additional financial resources is not widely used in cities in developing countries. Why is this so?
-